Supreme Court, U.S.
FILED

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NO. _____

In the
SUPREME COURT OF THE UNITED STATES
October Term 2004

CHICAGO BRAND INDUSTRIAL, INC.

Petitioner,

v.

MITUTOYO CORPORATION and C.E. JOHANSSON AB,

Respondents.

On Petition for Writ of Certiorari To the United States Court of Appeals For the Federal Circuit

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PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED FOR REVIEW

1. Has the Court of Appeals decided an important federal question that has not been, but should be, settled by this court?

2. Can the parties to patent infringement litigation and the presiding judge order that a patent term be restored or extended?

3. Has Congress defined the exclusive circumstances by which a patent term can be restored or extended?

CORPORATE DISCLOSURE STATEMENT

Petitioner Chicago Brand Industrial, Inc. is a California corporation . There are no parent corporations. No publicly held company owns 10% of Chicago Brand Industrial, Inc.

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PETITION FOR A WRIT OF CERTIORARI

Petitioner Chicago Brand Industrial, Inc. prays for a writ of certiorari to the United States Court of Appeals for the Federal Circuit in this patent case.

OPINIONS BELOW

The district court dismissed the case on the ground that it was barred by *res judicata* from determining that the patent expired December 13, 2000. The district court opinion is Appendix A.

The Federal Circuit affirmed in Appendix B, without citing any Act of Congress allowing patent term extension or restoration.

JURISDICTION

This Petition seeks review of the decision dated February 2, 2005 of the United States Court of Appeals for the Federal Circuit affirming the dismissal of Petitioner's Complaint in the Northern District of California (Appendix A). This is a patent case brought in the district court under 28 U.S.C. §1338(a). Federal Circuit jurisdiction was under 28 U.S.C. §1295(a)(1) This Court has jurisdiction under 28 U.S.C. §1254.1

RELEVANT PROVISIONS INVOLVED

United States Constitution, Article 1, Section 8, clause 8:

Section 8. The Congress shall have the Power…

> To promote the Progress of Science and useful Arts, by securing limited Times to Authors and Inventors

the exclusive Right to their respective Writings and Discoveries;

28 U.S.C. §2201(a) In a case of actual controversy within its jurisdiction . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration . . . . Any such declaration shall have the force and effect of a final judgment and decree and shall be reviewable as such.

35 U.S.C. §154 Contents and term of patent; provisional rights

(b) ADJUSTMENT OF PATENT TERM.-

(1) PATENT TERM GUARANTEES.-

(A) GUARANTEE OF PROMPT PATENT AND TRADEMARK OFFICE RESPONSES.- Subject to the limitations under paragraph (2), if the issue of an original patent is delayed due to the failure of the Patent and Trademark Office to-

(i) provide at least one of the notifications under section 132 of this title or a notice of allowance under section 151 of this title not later than 14 months after-

the date on which an application was filed under section 111(a) of this title; or

the date on which an international application fulfilled the requirements of section 371 of this title;

(ii) respond to a reply under section 132, or to an appeal taken under section 134, within 4 months after the date on which the reply was filed or the appeal was taken;

(iii) act on an application within 4 months after the date of a decision by the Board of Patent Appeals and Interferences under section 134 or 135 or a decision by a Federal court under section 141, 145, or 146 in a case in which allowable claims remain in the application; or

(iv) issue a patent within 4 months after the date on which the issue fee was paid under section 151 and all outstanding requirements were satisfied, the term of the patent shall be extended 1 day for each day after the end of the period specified in clause (i), (ii), (iii), or (iv), as the case may be, until the action described in such clause is taken.

(B) GUARANTEE OF NO MORE THAN 3-YEAR APPLICATION PENDENCY.- Subject to the limitations under paragraph (2), if the issue of an original patent is delayed due to the failure of the United States Patent and Trademark Office to issue a patent within 3 years after the actual filing date of the application in the United States, not including-

(i) any time consumed by continued examination of the application requested by the applicant under section 132(b));

(ii) any time consumed by a proceeding under section 135(a), any time consumed by the imposition of an order under section 181, or any time consumed by appellate review by the Board of Patent Appeals and Interferences or by a Federal court; or

(iii) any delay in the processing of the application by the United States Patent and Trademark Office requested by the applicant except as permitted by paragraph (3)(C), the term of the patent shall be extended 1 day for each day after the end of that 3-year period until the patent is issued.

(C) GUARANTEE OR ADJUSTMENTS FOR DELAYS DUE TO INTERFERENCES, SECRECY ORDERS, AND APPEALS.- Subject to the limitations under paragraph (2), if the issue of an original patent is delayed due to-

(i) a proceeding under section 135(a);

(ii) the imposition of an order under section 181; or

(iii) appellate review by the Board of Patent Appeals and Interferences or by a Federal court in a case in which the patent was issued under a decision in the review reversing an adverse determination of patentability, the term of the patent shall be extended 1 day for each day of the pendency of the proceeding, order, or review, as the case may be.

(2) LIMITATIONS.-

(A) IN GENERAL.- To the extent that periods of delay attributable to grounds specified in paragraph (1) overlap, the period of any adjustment granted under this subsection shall not exceed the actual number of days the issuance of the patent was delayed.

(B) DISCLAIMED TERM.- No patent the term of which has been disclaimed beyond a specified date may be adjusted under this section beyond the expiration date specified in the disclaimer.

(C) REDUCTION OF PERIOD OF ADJUSTMENT.-

(i) The period of adjustment of the term of a patent under paragraph (1) shall be reduced by a period equal to the period of time during which the applicant failed to engage in reasonable efforts to conclude prosecution of the application.

(ii) With respect to adjustments to patent term made under the authority of paragraph (1)(B), an applicant shall be

deemed to have failed to engage in reasonable efforts to conclude processing or examination of an application for the cumulative total of any periods of time in excess of 3 months that are taken to respond to a notice from the Office making any rejection, objection, argument, or other request, measuring such 3-month period from the date the notice was given or mailed to the applicant.

(iii) The Director shall prescribe regulations establishing the circumstances that constitute a failure of an applicant to engage in reasonable efforts to conclude processing or examination of an application.

35 U.S.C. §155 Patent term extension

[T]he term of a patent . . . shall be extended if such composition or process has been subjected to regulatory review by the Federal Food and Drug Administration . . . and for which there has thereafter been a stay of regulation of approval imposed . . .

35 U.S.C. §155A Patent term restoration

(a) Notwithstanding section 154 of this title, the term of each of the following patents shall be extended in accordance with this section:

(1) Any patent which encompasses within its scope a composition of matter which is a new drug product . . .

(2) Any patent which encompasses within its scope a process for using the composition of matter described in paragraph (1).

35 U.S.C. §156 Extension of patent term

(a) The term of a patent . . . shall be extended in accordance with this section from the original expiration date of the patent if-

* * *

(3) an application for extension is submitted by the owner of record of the patent . . .

(d)(1) . . . to the Director . . .

STATEMENT OF THE CASE

This is a Declaratory Judgment case under 28 U.S.C. §2201(a), seeking a declaration that United States Patent 4,743,902 has expired and is of no effect. The patent was granted on an application filed by Respondents' predecessor and assigned to Respondent Johansson. Respondent Mitutoyo is a licensee of Respondent Johansson.

The patent application was a continuation of an earlier patent application in which a Terminal Disclaimer was filed. The Terminal Disclaimer (Appendix C) expressly disclaims any term of any patent issuing on the application after December 10, 2000.

In 1999, before the end of the term in the Terminal Disclaimer, Respondents sued Petitioner for patent infringement. Petitioner stipulated to the entry of a Consent Judgment and Decree on July 13, 2000 (Appendix D). Four months later, the patent expired pursuant to the Terminal Disclaimer.

In 2003, three years after the patent expired, Respondents charged Petitioner with contempt of court,

creating an actual controversy, which gave rise to the filing of the Complaint by Petitioner in the same district court as in Appendix D. Respondents claimed that the patent term had been extended or restored by the Consent Judgment and Decree and that the expiration date was 2005, not 2000.

Respondents filed a Motion to Dismiss the Complaint in this case on the ground that the Consent Judgment and Decree trumped the Terminal Disclaimer and restored or extended the expiration date by five years beyond what had been voluntarily surrendered by Respondents' predecessor. The district court held that the doctrine of res judicata barred relitigation of the termination date of the patent (Appendix A). The Federal Circuit affirmed (Appendix B).

REASONS FOR GRANTING THE WRIT

The patent application disclaimed, in order to obtain the grant of patent, "that portion of the term of any patent to be to issued on said application subsequent to December 13, 2003". The patent owner, after the grant of the patent at issue, assigned rights to Respondent Johansson, who in turn licensed the patent to Respondent Mitutoyo. Respondents sought to overturn the disclaimer by their predecessors by means of a Stipulated Consent Judgment and Decree, which said the patent expires in 2005.

Congress has specified a few very narrow grounds for resolving or extending a patent term, none of which apply here. It is an important issue of patent law whether Congress has granted jurisdiction to district courts to alter the term of a patent. Respondents cite no Congressional support for overturning the disclaimer by a consent judgment, and there is no Act of Congress supporting the action of the district court. The federal Circuit affirmed the decision of the district court without citing any statutory support for altering

the patent term. Res judicata is not a basis for overturning the limited time permitted by the Constitution and expressly defined by Congress in Title 35. Restoring the term to expire in 2005 may only be done by application to the Director of the Patent and Trademark Office in specific circumstances not found here. The mere fact that Petitioner consented to the Judgment does not justify exceeding the authority provided by Congress to extend a patent term.

This is an important Federal question that could open the floodgates to extend patent terms beyond the limited time set by Congress, simply by consent of the parties and a rubber-stamp by a district court to the consent judgment.

ARGUMENT

The term of a patent was seventeen years from the Act of March 2, 1861 (ch. 88, §16, 12 Stat. 246) until December 8, 1994 (Pub. L. 103-465, §532, 108 Stat. 4983). The patent in question here had a term of 17 years, except that the patent applicant voluntarily disclaimed the term "subsequent to December 13, 2000" (A-23) in order to have the patent granted. But for the Terminal Disclaimer, the patent would have expired on May 10, 2005.

Congress has specified that the term of a patent can be extended or restored in a few very narrow circumstances, not one of which is present here. 35 U.S.C. §154(b) permits an adjustment of the term if there was a delay caused by a failure of the Patent and Trademark Office to act promptly or a patent applicant failed to act promptly. This provision does not apply here.

§155 allows an extension for a delay caused by "regulatory review by the Federal Food and Drug Administration." The patent for a measuring device (caliper)

here was not subject to review by the FDA because it is not a food, drug or cosmetic.

§155A permits restoration of a patent term where a patent relates to a "new drug product." The patent here is not a composition of matter or a process for using a composition of matter.

§156 explains how one can obtain an extension of patent term, by submitting an application to the Director of the Patent and Trademark Office. Here, the patentee never applied for an extension to the Director and sought the extension from the district court. Even though Petitioner consented to the restoration or extension of patent term, the district court lacked jurisdiction to grant such relief to Respondents.

Congress has been careful to honor the "limited Times" mandate of the Constitution in patent cases. Unlike the situation in copyright cases, where Congress has extended the term of copyright frequently over the years, until today 17 U.S.C. §302 allows a maximum term of 170 years. This Court has held it to be within the "limited Times" contemplated in the Constitution (*Eldred v. Ashcroft*, 537 U.S. 186 (2003)). On the patent side, the term of seventeen years was the constant term for a patent from 1861 until 1994, when several narrowly crafted exceptions were created. The harmonization of the patent laws in the Uruguay Round Agreements Act of December 8, 1994, led to a twenty year term from the date of filing, which was, as a practical matter, not much different from seventeen years from the grant date, which often took three years from the filing date.

The limited time for patents has been approximately 20 years from the filing date of a patent application for

almost 150 years. When Congress chose to make exceptions to the limited time for patents, there was no blanket extension of term as occurred with copyright law. Rather, Congress has carved out five specific instances where a patent term may be adjusted, extended or restored.

In 35 U.S.C. §154(b)(1) an extension of the patent term will be extended one day for each day after the deadlines for Patent and Trademark Office responses that is taken for such responses. These responses are taking action on a new patent application; responding to a reply by an applicant; acting on an appeal; and granting a patent after the payment of the issue fee and satisfying all requirements, among others. These adjustments do not apply to a term that has been voluntarily disclaimed beyond a certain date (§154(b)(2)(B)), which is the present case. Here, the applicant expressly disclaimed the patent term after December 10, 2000.

35 U.S.C. §155 only applies to a stay of regulation approval imposed by the Food and Drug Administration for a composition of matter or a process for using such composition. The calipers here are not a composition or a process of using a composition, so this extension does not apply.

35 U.S.C. §155A applies only to a new drug product, which is not present here.

35 U.S.C. §156 applies only where an application for extension is submitted to the Director of Patents and Trademarks, and no such application was submitted here.

Accordingly, the only exceptions to the "limited Times" for a patent that have been enacted by Congress have not been met. If Congress wishes to allow the parties to

litigation to extend or restore the patent term by stipulation of the parties, it may do so. If Congress wishes to allow district courts to extend or restore the patent term by Order of the court, it may do so. Until such an enactment issues from Congress, Congress's definition of patent term must be adhered to. The patent applicant here voluntarily disclaimed the term of the patent after December 10, 2000, and it never filed an application to restore or extend the patent term following that date. The Congressional language is clear and unambiguous. There is no assumption to be made about its scope, unlike *Small v. United States*, ___ U.S. ___ (Case No. 03-750, April 26, 2005). If Congress changes the law to more easily extend a patent term, future cases will be decided differently than this one must be decided.

This is an important issue regarding patent term extension or restoration that should be decided by this Court. The parties, the district court and the Federal Circuit lacked the power to extend or restore the patent term. Merely because Petitioner stipulated to the longer term does not result in an extension under the patent statutes.

Failure to comply with the Congressionally devised scheme for restoration or extension of the patent term, and failure to fit into the narrow categories for such relief is fatal to the Respondents. The Federal Circuit should be directed to declare that the patent expired on December 10, 2000, by reason of the Terminal Disclaimer dedicating the term following December 10, 2000 to the public.

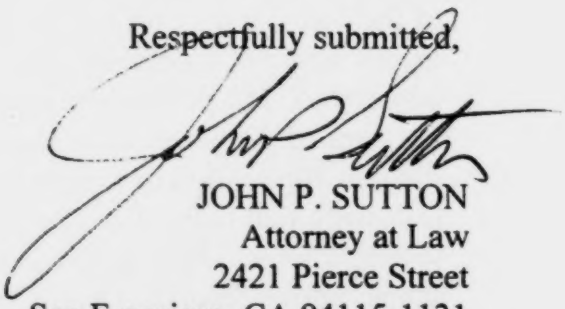
CONCLUSION

The petition for writ of certiorari should be granted and the case remanded to the Federal Circuit with instructions to vacate the dismissal of the complaint and

remand to the district court for further proceedings consistent with this Court's ruling.

Dated: April 29, 2005

Respectfully submitted,



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APPENDIX A

FILED

APR 14 2004

CHICAGO BRAND INDUSTRIAL, Plaintiff, v. MITUTOYO CORP., Defendant.	No. C-03-4648 DLJ **ORDER**

Defendant, Mitutoyo Corp., has moved to dismiss plaintiff's action for declaratory relief under the doctrine of res judicata. In addition, defendant has moved for sanctions against plaintiff, Chicago Brand Industrial. The Court heard oral argument on these motions on March 5, 2004. Having considered the papers filed by the parties and oral argument on each motion, the Court GRANTS defendant's motion to dismiss and DENIES defendant's motion for sanctions.

I. FACTUAL BACKGROUND

U.S. Patent No. 4,743,902 (the '902 patent) covers electronic measuring devices, and is entitled "Measuring Device for Capacitive Determination of the Relative Position of the Two with Respect to One Another Movable Parts." Defendant Mitutoyo Corporation is the exclusive licensee of the '902 patent with respect to electronic measuring devices which conduct length measurement. Mitutoyo manufactures electronic length measuring devices which are covered by the claims of the'902 patent. These devices are sold in the United States by a subsidiary of Mitutoyo and the subsidiary's distribution network. Plaintiff, Chicago Brand Industrial, imports, distributes, and sells electronic length measuring devices in the United States which compete with the Mitutoyo-manufactured electronic length measuring devices.

In 1999, Mitutoyo brought an infringement action against the plaintiff in this action. Chicago Brand counterclaimed for declaratory judgment that the '902 patent is unenforceable after December 13, 2000. The parties entered a Consent Judgment and Decree (Consent Judgment) on July 13, 2000 to resolve the dispute. The Consent Judgment included the following findings:

- Chicago Brand has infringed claims 1 and 2 of the '902 patent;
- Chicago Brand is enjoined from trafficking in specific electronic digital calipers that it sold prior to the Judgment and any other measuring device which infringed any of the claims of the '902 patent;
- The '902 patent expires on May 10, 2005;
- The counterclaims are dismissed with prejudice.

Plaintiff has now brought an action for declaratory judgment that the '902 patent expired on December 13, 2000. Defendant has moved to dismiss the action on the grounds that the Consent Judgment bars plaintiff's action under the principles of res judicata.

II. LEGAL STANDARDS

1. 12(b) (6) Motion to Dismiss

The primary objective of the legal system is to obtain a determination on the merits rather than a dismissal based on pleadings. Accordingly, motions to dismiss for failure to state a claim pursuant to Federal Rule of Civil Procedure 12(b) (6) are generally viewed with disfavor and rarely granted. See Intake Water Co. v. Yellowstone River Compact Comm'n, 590 F. Supp. 293, 296 (D. Mont. 1983).

The Federal Rules of Civil Procedure require the complaint merely to set forth a general statement of the facts showing that the pleader is entitled to relief. See Fed. R. Civ. P. 8(a) (2). Few complaints fail to meet this liberal

standard. The Supreme Court has held that "a complaint should not be dismissed for failure to state a claim unless it appears beyond a reasonable doubt the plaintiff can prove no set of facts in support of his claim which would entitle him to relief." Conley v. Gibson, 78 S. Ct. 99, 102 (1957). Thus, the question presented by a motion to dismiss is not whether plaintiff will prevail in the action, but whether plaintiff is entitled to offer evidence in support of his or her claim.

In answering this question, the Court must assume that plaintiff's allegations are true and must draw all reasonable inferences in plaintiff's favor. See e.g., Usher v. City of Los Angeles, 828 F.2d 556, 561 (9th Cir. 1987) (citation omitted). Even if the face of the pleadings indicates that the chance of recovery is remote, the court must allow plaintiff to develop his or her case at this stage of the proceedings.

2. Res Judicata

Res judicata bars the litigation of a claim if, in an earlier suit: (1) the parties were identical to the present parties, (2) a judgment was rendered by a court of competent jurisdiction, (3) there was a final judgment on the merits, and (4) the claim was the same as the present claim. Whether two claims are the same for res judicata purposes depends on,

> (1) whether rights or interests established in the prior judgment would be destroyed or impaired by prosecution of the second action; (2) whether substantially the same evidence is presented in the two actions; (3) whether the two suits involve infringement of the same right: and (4) whether the two suits arise out of the same transactional nucleus of facts.

See Nordhorn v. Ladish Co., Inc., 9 F.3d 1402, 1404-05 (9th Cir. 1993). See also In re Heritage Hotel Partnership I, 160 B.R. 374, 377 (9th Cir. 1993).

The Ninth Circuit attaches preclusive effect to consent decrees and judgments. See e.g., Gilmore v. People of the State of California, 220 F.3d 987, 1001 (9th

Cir. 2000); Badgley v. Santacroce, 800 F.2d 33, 38 (2d Cir. 1986) ("The strong policy encouraging settlement of cases requires that the terms of a consent judgment . . . be respected as fully as a judgment entered after trial."); Securities & Exch. Comm'n v. Randolph, 736 F.2d 525, 528 (9th Cir. 1984) ("A consent decree is a judgment, has the force of re judicata, and it may be enforced . . . .").

3. Sanctions

Rule 11 of the Federal Rules of Civil Procedure requires that the claims contained in any "pleading, written motion, or other paper" filed with the Court be "warranted by existing law or by a non-frivolous argument for the extension, modification, or reversal of existing law or the establishment of new law." Fed. R. Civ. P. 11(b). Further, the "allegations and factual contentions" must have evidentiary support, or be likely to have such support after a "reasonable opportunity for further investigation or discovery." Id. If papers are filed in violation of Rule 11,

then the court may "impose an appropriate sanction." Id. at 11(c).

The test imposed by Rule 11 is an objective one. Zaldivar v. City of Los Angeles, 780 F.2d 823, 831 (9th Cir. 1986). Under this objective standard, a cause of action is "well grounded in fact" if an independent examination reveals "some credible evidence" in support of a party's statements. Kendrick v Zanides, 609 F. Supp. 1162, 1172 (N.D. Cal. 1985). A cause of action is not "warranted by law" where no "plausible, good faith argument can be made by a competent attorney" in support of the proposition asserted. Zaldivar, 780 F.2d at 833 (rejecting white heart, empty head defense).

Upon a party's motion, the Court may impose sanctions under Rule 11. Sanctions are discretionary, and courts have wide latitude in determining their form. Fed. R. Civ. P. 11, Advisory Committee's Note.

III. DISCUSSION

1. Motion to Dismiss

Chicago Brand filed an Answer to Complaint for Patent Infringement and Counterclaims in response to Mitutoyo's Complaint seeking damages for infringement in 1999. In Chicago Brand's Answer to the Complaint, it counterclaimed seeking declaratory judgment that "the patent term was not properly limited to any expiration date of December 13, 2000." Answer Para. 15. Chicago Brand based this counterclaim on a terminal disclaimer Mitutoyo submitted to the U.S. Patent and Trademark Office "as a condition to the issuance of the '902 patent . . . ." Id. The terminal disclaimer, Chicago Brand argued, establishes that the '902 patent expired on December 13, 2000. Chicago Brand and Mitutoyo resolved the original litigation in 1999 when they entered the Consent Judgment. Paragraph 9 of the Consent Judgment states unequivocally that Chicago Brand's "counterclaims are dismissed with prejudice."

Chicago Brand argues that the present action is based on prosecution history estoppel. The original counterclaim, it contends, was fraud on the patent office. This difference in form, however, fails to mask the basic identity of the claims. The present claim arises from the same nucleus of operative fact as those underlying the original counterclaim. These facts include representations made by Mitutoyo during the patent prosecution process about the patent expiration date and whether the terminal disclaimer that arose in that process requires the patent to expire on December 13, 2000. These facts provide the same basis for Chicago Brand's counterclaim dismissed with prejudice in the Consent Judgment. It follows that the dismissed counterclaim and the present action represent the same claim for res judicata purposes. Moreover, the substantially similar evidentiary basis proffered for both the present action and the original counterclaim, particularly the terminal disclaimer, further buttresses this conclusion.

For these reasons, the Court finds an identity of claims exists between the original counterclaim and the present action for declaratory relief.

The Court finds the remaining elements of a res judicata defense satisfied in the present action. Even if the Court found res judicata inapplicable, however, plaintiff's action for declaratory relief fails as a legal matter. Plaintiff claims that the terminal disclaimer, considered in light of the doctrine of prosecution history estoppel, demonstrates that the '902 patent expired in December 2000. As defendant rightly points out, the doctrine of prosecution history estoppel does not apply in this setting. Prosecution history estoppel only applies as a defense to a charge of infringement under the doctrine of equivalents. See Loctite Corp. v. Ultraseal Ltd., 781 F.2d 861, 870 (Fed. Cir. 1985) (overruled on other grounds Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059 (Fed. Cir. 1998)). The doctrine of prosecution history estoppel has no bearing,

however, on the validity or term of a patent. Therefore, even if plaintiff's action for declaratory judgment could withstand the res judicata challenge, it fails for want of a proper legal basis.

2. Sanctions

Mitutoyo has also moved the Court to sanction Chicago Brand for filing a purportedly frivolous complaint in bad faith. Although the Court rejects the prosecution history estoppel argument both under the doctrine of res judicata and on the merits, the Court finds Chicago Brand filed its Complaint in good faith. Furthermore, the Court finds the Complaint well outside the purview of Rule 11 sanctions.

IV. CONCLUSION

For the foregoing reasons, the Court GRANTS defendant's motion to dismiss and DENIES defendant's motion for sanctions.

IT IS SO ORDERED

Dated: April 14, 2004

/s/
D. Lowell Jensen
United States District Judge

APPENDIX B

NOTE: Pursuant to Fed. Cir. R. 47.6, this order is not citable as precedent. It is a public order.

United States Court of Appeals for the Federal Circuit

04-1381, -1404

CHICAGO BRAND INDUSTRIAL, INC.,

Plaintiff-Appellant,

v.

MITUTOYO CORP.,

Defendant-Cross Appellant.

DECIDED: February 2, 2005

Before NEWMAN, CLEVENGER, and DYK, Circuit Judges.

CLEVENGER, Circuit Judge.

Chicago Brand Industrial, Inc. ("Chicago Brand") appeals the decision of the United States District Court for the Northern District of California granting a motion filed by Mituoyo Corp. ("Mitutoyo") to dismiss Chicago Brand's

complaint for a declaratory judgment that U.S. Patent No. 4,743,902 (the '902 patent") has expired as a result of a terminal disclaimer filed during the prosecution of a parent application. See Chicago Brand Indus. v. Mitutoyo Corp., No. C-03-4648 (N.D. Cal. Apr. 14, 2004) ("Final Order"). Mitutoyo also appeals the district court's denial of its motion for sanctions. We affirm.

I

The '902 patent generally covers electrical measuring devices and is titled "Measuring Device For Capacitive Determination Of The Relative Position Of The Two With Respect To One Another Movable Parts." Mitutoyo is the exclusive licensee of the '902 patent. In 1999, Mitutoyo sued Chicago Brand for infringement of the '902 patent. Chicago Brand counterclaimed for a declaratory judgment that, among other things, the '902 patent was unenforceable after December 13, 2000, due to a terminal disclaimer that was filed during the prosecution of a parent application. On

July 13, 2000, the parties agreed to a Consent Judgment and Decree that Chicago Brand infringed the '902 patent, that Chicago Brand was enjoined from further infringement during the term of the patent, and that the '902 patent expires on May 10, 2005. See Mitutoyo Corp. v. Chicago Brand Indus., Inc., No. C-99-33576 (N.D. Cal. July 13, 2000).

On October 15, 2003, Chicago Brand filed a complaint for declaratory judgment that the '902 patent had expired as a result of the terminal disclaimer filed during prosecution of the parent application. Mitutoyo moved to dismiss Chicago Brand's complaint, pursuant to the doctrine of res judicata, and to sanction Chicago Brand for filing a frivolous complaint in bad faith. The district court held that for res judicata purposes, Chicago Brand presented the same claim in its counterclaim in the 1999 suit and its 2003 complaint. Final Order, at 5-6. The court granted Mitutoyo's motion to dismiss the complaint but denied Mitutoyo's motion for sanctions because it found that

Chicago Brand filed the complaint in good faith and that the complaint was "well outside the purview of Rule 11 sanctions." Id. at 7. Both parties appealed. We have jurisdiction over the appeal and cross-appeal pursuant to 28 U.S.C. § 1295(a)(1).

II

"In reviewing procedural issues that are not unique to patent law, we apply the law of the regional circuit where appeals from the particular district court would normally lie," here the Ninth Circuit. See Beech Aircraft Corp. v. EDO Corp., 990 F.2d 1237, 1246 (Fed. Cir. 1993). The district court's determination that Chicago Brand's complaint was barred under Ninth Circuit law by the doctrine of res judicata is a mixed question of law and fact, wherein legal issues predominate. See Gregory v. Widnall, 153 F.3d 1071, 1074 (9th Cir. 1998). We thus review the district court's decision de novo. See Headwaters Inc. v. U.S. Forest Serv., 382 F.3d 1025, 1028 (9th Cir. 2004). We

also review the district court's denial of a motion for sanctions under Rule 11 for abuse of discretion. See Larez v. Holcomb, 16 F.3d 1513, 1521 (9th Cir. 1994).

III

The doctrine of res judicata, also known as claim preclusion, provides that a final judgment on the merits of a previous claim bars further claims by a party based on the same cause of action. See In re Schimmels, 127 F.3d 875, 881 (9th Cir. 1997); see also Restatement (Second) of Judgments, §§ 18-19 (1982). The elements necessary to establish res judicata are: "(1) an identity of claims, (2) a final judgment on the merits, and (3) privity between parties." Tahoe-Sierra Pres. Council, Inc. v. Tahoe Reg'l Planning Agency, 322 F.3d 1064, 1077 (9th Cir. 2003). The district court was clearly correct in finding the latter two requirements satisfied in this case, as resolution of the 1999 dispute between Mitutoyo and Chicago Brand via a Consent Judgment and Decree constituted a final judgment on the

merits of the claims and counterclaims and precludes the parties from reasserting the claims addressed therein in any subsequent action. See In re Dominelli, 820 F.2d 313, 316-17 (9th Cir. 1987). The present dispute thus turns on whether there now exists an identity of claims with the 1999 suit.

The relevant factors for determining whether an identity of claims exists include:

> (1) [W]hether rights or interests established in the prior judgment would be destroyed or impaired by prosecution of the second action; (2) whether substantially the same evidence is presented in the two actions; (3) whether the two suits involve infringement of the same right: and (4) whether the two suits arise out of the same transactional nucleus of facts.

Headwaters, 382 F.3d at 1029 (quoting Costantini v. Trans World Airlines, 681 F.2d 1199, 1201-02 (9th Cir. 1982)). We find that the two claims at issue—Chicago Brand's counterclaim in the 1999 suit and its present complaint—satisfy each of these factors. Both claims stem from the terminal disclaimer filed during the prosecution of the parent application. An din both, Chicago Brand sought a

declaration that Mitutoyo could not enforce the '902 patent after December 13, 2000.

Chicago Brand argues that the court's reference to the May 10, 2005, date in the Consent Judgment and Decree was dictum and that neither party could adjudicate the expiration date of the '902 patent at the time the Consent Judgment and Decree was entered. If the expiration date of the '902 patent was not an issue that could have been litigated in the 1999 suit, Chicago Brand would be correct in asserting that it cannot be issue precluded on an issue that was non-existent in the earlier suit. In the Consent Judgment and Decree, the district court found that Chicago Brand infringed the '902 patent and enjoined it from further infringement for the remainder of the term of the patent. The court then identified May 10, 2005, as the end of the '902 patent term and thus the end of the injunction. Far from dictum, the court's identification of the expiration date of the injunction was a necessary part

of the agreed-to ruling. Indeed, with the predicate judgment that the '902 patent is not invalid but was infringed and that Chicago Brand is to be enjoined from further infringement, the time assigned to the injunction is a live issue that Chicago Brand could have litigated in the 1999 case. Instead, it chose to agree to an expiration date for the patent, and therefore for the injunction—a date it now seeks to avoid, but cannot because of res judicata.

We have considered and find without merit the remaining arguments raised by Chicago Brand, as well as those raised by Mitutoyo regarding its motion for sanction.

IV

In sum, we hold that the principles of res judicata require that Chicago Brand now live with its earlier agreement in the Consent Judgment and Decree that the '902 patent expires on May 10, 2005. We affirm the district court's decision in its entirety.

APPENDIX C

RECEIVED DEC. 23, 1985

PATENT
Attorney Docket No. FFVS-1A

THE UNITED STATES PATENT
AND TRADEMARK OFFICE

In re Application of	)	
	)	
Nils Ingvar ANDERMO	)	
	)	
Serial No. 558,427	)	Group Art Unit: 264
	)	
Filed: December 6, 1983	)	Examiner: J. Groody
	)	
For: MEASURING DEVICE	)	
CAPACITIVE	)	
DETERMINATION OF	)	
THE RELATIVE	)	
POSITION IF TWO	)	
WITH RESPECT TO	)	
ONE ANOTHER	)	
MOVEABLE PARTS	)	

Honorable Commissioner of Patents
and Trademarks
Washington, D.C. 20231

Sir:

TERMINAL DISCLAIMER

Your petitioner, Stiftelsen Institutet for Mikrovagsteknik vid Tekniska Hogskolan, in the city of Stockholm and the country of Sweden, represents that it is the assignee of the invention of Application No. 558,427, filed on the sixth day of December, 1983 for MEASURING DEVICE FOR CAPACITIVE DETERMINATION OF THE RELATIVE POSITION OF TWO WITH RESPECT TO ONE ANTOEHR MOVEABLE PARTS. (Assignment recorded on January 2, 1980 at Reel 3718, Frame 925.) Your petitioner hereby disclaims all that portion of the term of any patent to be issued on the said application subsequent to December 13, 2000.

A check for the fee of $56 as set forth in 37 C.F.R. § 1.20(d) is enclosed.

01/08/86 558427 4 148 56.00 CK

Your petitioner understands that any patent granted on the said application shall be enforceable only for and

during such period that said patent is commonly owned with U.S. Patent No 4,420,754.

Respectfully submitted,

STIFTELSEN INSTITUE FOR
MIKROVAGSTEKNIK VID
TEKNISKA HOGSKOLAN

Dated: Stockholm
1985-11-20

/s/
Peter Weissglas

APPENDIX D

FILED

JUL 13 2000
RICHARD W. WIEKING, CLERK
U.S. DISTIRCT COURT
NORTHERN DISTRIICT OF CALIFORNIA

IN THE UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

OAKLAND DIVISION

MITUTOYO CORPORATION and C.E. JOHANSSON AB Plaintiffs, v. CHICAGO BRAND INDUSTRIAL, INC. Defendant.	Case No. C-99-3576 DLJ CONSENT JUDGMENT AND DECREE

This Court, on consent by the parties, hereby finds and enters judgment as follows:

1. This Court has jurisdiction over the subject

matter of this case under 28 U.S.C. §1338(a) and personal jurisdiction over the parties.

2. Venue lies in this district pursuant to 28 U.S.C. §1400(b).

3. Plaintiff C.E. Johansson AB is the sole owner of United States Patent No. 4,743,902.

4. Plaintiff Mitutoyo Corporation is the exclusive licensee of United State Patent No. 4,743,902 for length measurement, including all rights to bring suit for infringement of U.S. Patent No. 4,743,902 by length measuring devices.

5. United States Patent No. 4,743,902 is not invalid or unenforceable.

6. Chicago Brand has infringed claims 1 and 2 of U.S. Patent No. 4,743,902 by offering to sell, selling and importing the electronic digital length measurement devices identified on Exhibit 1, in violation of 35 U.S.C. §271.

7. Chicago Brand and its officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with Chicago Brand who receive actual notice of this Order, are hereby enjoined from making, offering to sell, selling, using and/or importing the electronic digital length measurement devices identified on Exhibit 1 and any other measuring devices which infringe any of the claims of U.S. Patent No. 4,743,902 during the term of U.S. Patent No. 4,743,902, except that Chicago Brand can sell its existing inventory of the devices identified on Exhibit 1, as agreed by the parties.

8. U.S. Patent No. 4,743,902 expires on May 10, 2005.

9. The counterclaims are dismissed with prejudice.

10. Each party is to bear its own costs and attorney fees.

IT IS SO ORDERED.

Date: July 13, 2000

/s/
D. Lowell Jensen
United States District Judge